

Message Text

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12

ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 OPIC-06 SP-02

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----- 019710

R 151854Z MAR 76

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 9418

UNCLAS MANAGUA 1221

FOR VAN BREDOW AT EX-IM

EO 11652: N/A

TAGS: EFIN NU

SUBJECT: STATUS OF EX-IM BANK'S PROGRAMS IN NICARAGUA

THREE LOCAL BANKING INSTITUTIONS HAVE NOW APPLIED FOR A LINE OF CREDIT UNDER THE CFF. INFONAC IS ALREADY USING ITS LINE OF CREDIT, BANCO NICARAGUENSE IS ANXIOUSLY AWAITING CONFIRMATION FROM EX-IM BANK OF ITS LINE OF CREDIT, AND BANCO DE AMERICA STILL HAS NOT PUT ITS ALREADY-APPROVED LINE OF CREDIT INTO OPERATION.

THE MAJOR PROBLEM WITH THE CFF IN NICARAGUA IS THE LEY MONETARIA, WHICH PROHIBITS ANY CONTRACTUAL OBLIGATIONS AMONG NICARAGUAN ENTITIES IN TERMS OF ANY CURRENCY OTHER THAN CORDOBAS. THIS FORCES THE INTERMEDIARY BANK TO BEAR THE ENTIRE BURDEN OF ANY CHANGES IN THE EXCHANGE RATE, SINCE EX-IM'S LOANS TO THE NICARAGUAN BANK WOULD BE IN TERMS OF DOLLARS.

INFONAC, BEING A GOVERNMENT-OWNED BANK, WAS WILLING TO ASSUME THE EXCHANGE RISK. BANCO NICARAGUENSE, ON THE ADVICE OF ITS LEGAL COUNSEL, FEELS THAT BY HAVING ITS PANAMANIAN SUBSIDIARY MAKE THE CFF LOANS TO NICARAGUAN CUSTOMERS WITH THE GUARANTEE OF BANCO NICARAGUENSE IT CAN AVOID THE EXCHANGE RISK PROBLEM SINCE THE PANAMANIAN SUBSIDIARY WOULD BE ABLE TO MAKE A LOAN IN TERMS OF DOLLARS. BANCO DE AMERICA IS CURRENTLY STUDYING A SIMILAR ARRANGEMENT WITH EITHER ITS PANAMANIAN SUBSIDIARY OR THE WELLS FARGO BANK IN THE US, WHICH HAS A 20 PCT INTEREST

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IN BANCO DE AMERICA.

DESPITE REQUESTS THAT THEY LOOK INTO THE MATTER TO
SEE IF THERE IS NOT SOME WAY TO OVERCOME THIS HURDLE PREVENTING
THE FULL USE OF THE CFF IN NICARAGUA, THE MINISTRY OF FINANCE
HAS NOT RESPONDED. THE EMBASSY WILL LOOK INTO OTHER WAYS TO
APPROACH THE GON ON THE LEY MONETARIA AND ITS PREVENTION OF
THE FULL USE OF THE CFF. THE CFF WOULD BE OF BENEFIT TO
NICARAGUA SINCE IT WOULD PROVIDE A RELATIVELY LESS EXPENSIVE
SOURCE OF EXTERNAL FINANCING.
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